

July 20, 1999

Senate Approves MSAs for All Americans

Federal Employees Included; House To Move Next

On Thursday, July 15, the Senate approved making tax-preferred medical savings accounts (MSAs) available to all Americans. The MSA expansion came as part of the "Patients' Bill of Rights Plus Act," which passed the Senate 53-47.

The MSA concept combines a high-deductible catastrophic health insurance policy with a tax-preferred savings account for medical expenses. Consumers (or their employers) deposit pre-tax dollars into the MSA, which covers out-of-pocket costs. If a family's medical expenses exceed the catastrophic policy deductible, insurance takes over. Whatever MSA funds participants do not spend is theirs to keep (and grows tax-free).

Medical savings accounts improve health care quality and make coverage more affordable. Patients with MSAs always choose their own doctor and always have direct access to specialists. Plus, the General Accounting Office reports that 37 percent of participants in the MSA pilot program were previously uninsured.

The bill that passed the Senate would expand the current MSA pilot program in several ways:

- 1) ***Eliminate the 750,000 participant cap.***
- 2) ***Make the program permanent.***
- 3) ***Allow all employers to offer MSAs, including the federal government.***
- 4) ***Make catastrophic health insurance policy deductibles more flexible.***
- 5) ***Allow participants to fully fund their MSA.***

Last year, the House passed a similar MSA expansion, but did not include MSAs for federal employees. The House is expected to revive such legislation this year.

The Senate bill also included full deductibility of health insurance for the self-employed and full deductibility of long-term care insurance that is not employer-subsidized.

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